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UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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In re:

ARS REI USA CORP,
d/b/a UNode50

Chapter 11

Case No. 20-

Debtor(s).

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**LOCAL RULE 1007-2. AFFIDAVIT AND DECLARATION
IN SUPPORT OF FIRST DAY MOTIONS**

SOVEREIGN NATION OF ST. LUCIA)
TOWN OF SOUFREIRE) ss.:

Jason McNary, being duly sworn, deposes and says:

1. I make this affidavit pursuant to Local Bankruptcy Rule 1007-2 of the U.S. Bankruptcy Court for the Southern District of New York and in support of the first day motions ARS intends to file all as more fully set forth hereinbelow.

2. I am currently employed as the Chief Executive Officer of ARS REI USA Corp. d/b/a UNode50 ("ARS"), having its offices at 2807 Jackson Ave, Floor 5, Long Island City, New York 11101.

3. ARS filed for Chapter 11 bankruptcy relief on August 18, 2020.

4. ARS is in the business of selling handcrafted jewelry manufactured in Madrid, Spain by ARS REI S.L., exclusively in the United States. ARS REI S.L. is the 100% stockholder in the Debtor¹.

5. ARS' financial difficulties are due to its loss of revenue resulting from the public health crisis and burdensome commercial lease obligations. Certain stores that ARS operates from are not profitable and continued operations are no longer viable. By filing for Chapter 11 and rejecting certain of the commercial real property leases that it is a party to, ARS will be able to reorganize its financial affairs in an orderly manner and pay its debts in accordance with the provisions of the Bankruptcy Code.

6. At the time of its Chapter 11 bankruptcy ARS had twenty (20) store locations throughout the United States. The information on the leases for each of the stores is more fully set forth in Schedule "G" of ARS' bankruptcy petition. Initially, in order facilitate the reorganization its financial affairs ARS intends to reject three of the store leases and the lease of its former offices and will be filing a motion seeking authorization for the lease rejections in the near future.

7. ARS' largest creditor is ARS REI S.L., having an unsecured claim against ARS in the amount of approximately \$2,600,000.00. ARS REI S.L. is also ARS' largest shareholder and holds 100% of the voting stock. in ARS REI S.L. has provided ARS the funds necessary for it to commence and establish its operations since its opening on or about December 9, 2011 through the present.

8. ARS has no secured debts.

¹ ARS REI S.L. is an affiliate of the Debtor pursuant to 11 U.S.C. 101 (2)(B).

9. ARS' financial records are located at its New York corporate office at 55 W. 39th Street, 9th Floor, New York, New York 10018 and with its accountants RAICH ENDE MALTER & CO. LLP whose offices are located at 1375 Broadway, New York, New York 10018.

10. ARS' has a cash management system in place that permits it to manage the cash flow of its operations in a cost-effective and efficient manner ("Cash Management System"). As part of the Cash Management System each of ARS' twenty (20) store locations has its own a bank account. ARS' utilizes bank accounts held at Chase, Bank of America and Santander (collectively the "Banks"). Proceeds from sales at each of the store locations are initially deposited into their respective bank accounts and used for operating expenses in connection with that store. Thereafter, ARS distributes its cash through various accounts to fund payroll and all other operating expenses. The Cash Management System facilitates the timely and efficient collection, management, and disbursement of funds used in ARS' business. ARS' financial department: (a) oversees the Cash Management System; (b) implements cash management controls for entering, processing, and releasing funds; and (c) regularly reconciles ARS' books and records to ensure that all transfers are accounted for properly.

11. Because of the nature of the ARS' business, the volume of transactions processed through the Cash Management System on a daily basis, there would be significant disruption to the business if ARS were forced to close its existing bank accounts. ARS intends to file a first-day motion seeking entry of interim and final orders authorizing it to: (a) operate its cash management system (the "Cash Management

System”) as described herein; (b) honor certain prepetition obligations related thereto; and (c) maintain existing business forms.

12. As of the Petition Date, ARS’ had 68 employees, including approximately 43 full-time employees, who each work at least forty (40) hours per week, minimum, and approximately 25 part-time employees (collectively, the “Employees”).

13. The Employees perform a wide variety of functions which will be critical to ARS’ post-petition operation and the administration of its chapter 11 case. The Employees are intimately familiar with ARS’ daily operations that are essential to its business. In order to protect the Employees and maintain its ability to conduct business on a going forward basis ARS intends to file a first-day motion seeking entry of interim and final orders authorizing it to: (a) pay prepetition wages, salaries, other compensation, and reimbursable employee expenses; and (b) continue employee benefits programs in the ordinary course, including payment of certain prepetition obligations related thereto.

14. A list of the names and addresses of the known creditors is attached to the Petition.

15. A list of the 20 largest creditors is attached to my Petition. ARS has no secured creditors.

16. None of ARS’ property is in the possession or custody of any custodian, public officer, mortgagee, pledgee, assignee of rents, or secured creditor, or agent for any such entity.

17. The estimated amount of ARS’ monthly expenses for the 30-day period following the filing of the Chapter 11 petition is \$900,000.00.

18. For the 30-day period following the filing of the Chapter 11 petition, it is estimated that ARS' gross income will total \$1,350,000.00.

ARS REI USA Corp.

By: _____

Jason McNary, CEO

Sworn to before me this
18th day of August, 2020

Notary Public

